

NRG Energy, Inc. Comments on Frequency Response Working Group Call

Submitted By	Company	Date Submitted
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NRG submits the following comments on the December 14, 2015 Frequency Response Working Group discussion.

BACKGROUND

The CAISO has bifurcated the Frequency Response (FR) stakeholder process into two phases:

- Phase 1 will address how the CAISO will efficiently comply with the new BAL-003-1 obligation effective December 1, 2016.
- Phase 2 of the initiative will consider the potential efficiency improvements from implementing more comprehensive market solutions such as a competitive procurement process defined in a technology-neutral way that would allow all certified resources to offer Primary Frequency Response ("PFR") services.

The CAISO's December 14, 2015 call focused on two issues:

- How the ISO should determine its primary frequency response capability
- Options for procuring incremental primary frequency response service, including:
 - Form a Frequency Response Sharing Group (FRSG)
 - Forward procurement of transferred frequency response obligations (FRO) between Balancing Authorities (BAs)
 - Procure shortfall from ISO's ancillary service markets
 - Forward procurement of frequency response service from resources both internal or external

The CAISO requested that the dialog focus on Options 1 and 2.

As part of the December 14, 2015 call, representatives from the Bonneville Power Administration (BPA) and Powerex discussed the possibility of the CAISO transferring some of its FRO to other entities – presumably, to Bonneville or to Powerex.¹ With regards to how the CAISO would compensate for another entity taking on some of its FRO, Powerex offered the CAISO could conduct a competitive solicitation to procure FR service, using the estimated cost of procuring the service from internal

¹ See Powerex presentation at http://www.caiso.com/Documents/PowerexPresentation_FrequencyResponse_WorkingGroupDec142015.pdf and BPA presentation at http://www.caiso.com/Documents/BPAPresentation_FrequencyResponse_WorkingGroupDec142015.pdf.

resources as a comparative benchmark.² BPA did not detail how such service it provided would be compensated,³ but did suggest that payment for such service would be due March 2018.⁴

COMMENTS

NRG's comments focus on the CAISO's options for acquiring "incremental" FR service.

To prevent undue discrimination, the CAISO must either pay all of the resources that are providing the CAISO with FR – or pay none of them. A paradigm in which the CAISO would take FR service from generators within its Balancing Authority Area without compensation but would provide compensation to the operators of another Balancing Authority for FR service is patently discriminatory.

As NRG understands the proposed schedule in this stakeholder initiative, the CAISO plans to defer discussion of a market-based FR product until Phase 2. Since it seems clear that the CAISO will have no way to provide compensation to generators within its Balancing Authority Area providing FR until Phase 2 is complete, it would be discriminatory to provide compensation for FR to other Balancing Authorities until such compensation is provided to resource providing FR service within the CAISO Balancing Authority Area. For this reason, NRG respectfully urges the CAISO to defer any discussion of acquiring compensated FR service from another Balancing Authority until Phase 2 of this initiative.

With regards to the CAISO joining or forming an FRSG – that action would be reasonable, as long as all generators within the FRSG that includes the CAISO are treated the same with regards to how they provide and are compensated for providing FR.

As NRG noted in its initial comments – given that Order 794 was issued in January 2014, it is unfortunate the CAISO did not initiate discussions about market products through which to acquire FR prior to the end of 2015. Nevertheless, NRG will oppose the CAISO's efforts to acquire and compensate FR service from sources other than internal generators unless and until the CAISO determines how to compensate internal generators for providing that same service.

Finally, with regards to transferring some of the CAISO's FRO to another BA - NRG offers caution on concentrating too much of the interconnection's frequency response in one geographic area (e.g., the Pacific Northwest). Doing so could require the operator of that BA to maintain sufficient headroom on outbound transmission to avoid overloading transmission lines and complicating or delaying the recovery.

² Powerex presentation at Slide 5.

³ BPA presentation at Slide 7.

⁴ BPA presentation at Slide 5.